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Message Text

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ORIGIN NODS-00

INFO OCT-01 ISO-00 /001 R

DRAFTED BY NEA/ARP:FMDICKMAN:CEJ
APPROVED BY E - MR. ROBINSON
S/S:MR. ORTIZ
S:APADAMS
EB - MR. ENDERS-(INFO)
NEA:ALATHERTON
---------- 077914
O 101729Z NOV 75 ZFF4
FM SECSTATE WASHDC
TO AMEMBASSY ABU DHABI IMMEDIATE

S E C R E T STATE 265664

NODIS

E.O. 11652: GDS

TAGS: ENRG, TC, US

SUBJECT: UAE OFFER OF LONG-TERM SUPPLY OF PETROLEUM

FOR AMBASSADOR ONLY

1. AS FOLLOW UP TO OIL MINISTER OTAIBA MENTION TO THE SECRETARY OF UAE INTEREST IN LONG TERM ARRANGEMENT TO SUPPLY OIL TO US (SEE SEPTEL), OTAIBA ON NOV 7 MET AGAIN WITH UNDER SECRETARY ROBINSON TO DISCUSS PROPOSAL IN GREATER DETAIL. DEPUTY MINISTER ISMAIL, AMBASSADOR GHOBASH AND JABIRI WERE ALSO PRESENT.

2. OTAIBA SAID UAE PRESENTLY MARKETING ABOUT 20 PERCENT OF ITS CRUDE AND HOPED TO INCREASE THIS TO 30 PERCENT AND UAE WAS ENTITLED TO SELL 60 PERCENT. HE SAID, IF USG INTERESTED, UAE PREPARED TO WORK OUT A DIRECT DEAL LEAVING IT UP TO US HOW TO WORK OUT MECHANICS WITH PRIVATE SECTOR
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FOR TRANSPORTATION/DISTRIBUTION OF THIS OIL. HE SAID UAE

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WOULD LIKE TO KNOW HOW MUCH OIL AND FOR HOW MANY YEARS US MIGHT BE INTERESTED IN.

3. UNDER SECRETARY ROBINSON SAID US WOULD BE INTERESTED IN A FIVE YEAR CONTRACT IN THE AMOUNT OF BETWEEN 200 AND 300 THOUSAND BPD. AFTER IT WAS ESTABLISHED THAT OTAIBA

WAS SPEAKING ONLY OF MARKETING ABU DHABI OIL WHICH IS CURRENTLY AT LEVEL OF 1.45 MILLION BPD AND THAT ONLY ABOUT 10 PERCENT OF THIS AMOUNT WAS CURRENTLY UN-COMMITTED FOR MARKETING, SUGGESTION WAS MADE THAT LONG TERM ARRANGEMENT MIGHT BEGIN WITH SUPPLY OF 100-150,000 BPD FIRST YEAR AND INCREASED BY 50,000 BPD SECOND AND THIRD YEAR WITH LAST THREE YEARS AVERAGING 250,000 BPD.

4. ON PRICING, OTAIBA WAS LESS SPECIFIC. HE SAID CRUDE WOULD HAVE TO BE AT "MARKET PRICE" BUT THERE WAS SOME POSSIBILITY THAT PRICING COULD BE SUBJECT TO FURTHER DISCUSSIONS. UAE WOULD HAVE TO CONSULT WITH OPEC. UNDER SECRETARY ROBINSON SAID HE HOPED OTAIBA CLEARLY UNDERSTOOD THAT FOR US TO CONSIDER LONG TERM OIL ARRANGE-MENT, THERE WOULD HAVE TO BE AN ECONOMIC ADVANTAGE. HE ALSO EMPHASIZED THAT IF NEGOTIATIONS ON THIS SUBJECT WERE TO BE PURSUED, THEY WOULD HAVE TO BE HANDLED VERY CONFIDENTIALLY.

5. OTAIBA SAID THAT HE WOULD PREPARE A MEMORANDUM WHICH WOULD BE SUBMITTED TO MR. ROBINSON THROUGH AMBASSADOR GHOBASH SETTING FORTH THE PROPOSAL. IF IT WAS OF INTEREST, MR. ROBINSON WOULD PLAN VISIT TO ABU DHABI OR WOULD SEND A MISSION FOR FURTHER EXPLORATION.

6. OTAIBA ALSO INQUIRED WHETHER US INTERESTED IN LNG. WE POINTED OUT THAT FPC STUDY IS STILL UNDERWAY AND NO DECISION HAD YET BEEN REACHED. MAJOR PROBLEMS INCLUDED TRANSPORTATION AND COST.THEREFORE PRIMARY US INTEREST WOULD BE LONG TERM ARRANGEMENT FOR CRUDE. OTAIBA SAID HE WOULD ADD SOMETHING ANYWAY ABOUT GAS IN HIS PROPOSAL FOR USG TO REACT TO.

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7. DESPITE UNDER SECRETARY'S ADMONITIONS TO KEEP DIS-CUSSIONS OF LONG TERM OIL SUPPLY ARRANGEMENT VERY CONFIDENTIAL, OTAIBA IN PRESS CONFERENCE, WHICH OCCURRED JUST PRIOR TO HIS MEETING WITH MR. ROBINSON, SAID UAE WANTS SECURE LONG TERM OIL SUPPLY DEAL WITH US AND THAT "NEGOTIATIONS ARE IN THE EARLY STAGES AND A JOINT COMMISSION MAY BE SET UP TO EXPLORE AN OIL AGREEMENT."

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To: ABU DHABI
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